

Editorial

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In the first article in this FMPM issue, Klaus Düllmann and Agnieszka Sosinska analyze credit default swap data. Comparing a reduced-form to a firm-value model, they attempt to explain the variation in the CDS spreads observed in the market. In a case study, they apply their models to three large German banks.

In the second article, Wolfgang Drobetz and Matthias C. Grüninger investigate the determinants of the cash holdings for Swiss corporates. Motivated by the observation that Swiss firms hold much more cash than US or UK firms, they analyze a number of factors suggested as potential determinants by corporate finance theory. For example, they test for the tangibility of assets, leverage, firm size, profitability, and dividends. Additionally, they also test whether corporate governance indicators can be related to cash holdings.

The third article in this issue, written by David M. Rey and Markus M. Schmid, develops a simplified momentum trading strategy and tests it in the Swiss stock market. Although momentum is a well-researched phenomenon, it is still debated whether such strategies, given the high turnover they usually require, can be profitably implemented in the presence of real-world transaction costs. The authors of this article take a new approach by testing extremely simplified strategies and find that, even when the strategies are drastically simplified, excess returns do not seem to vanish.

In the fourth article of this issue, Henryk Gurgul, Pawel Majdosz, and Roland Messtel look at the relationship between volume, returns, and volatilities in the German stock market, motivated by previous research claiming that volume may convey additional information not contained in market prices. While they find no evidence for

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volume and returns being related, they uncover evidence for a relationship between volume and volatility.

The Perspective article of this issue is written by Juan Rendon and Willian T. Ziemba. Using Value Line, Russel 2000, and S&P 500 futures data, they test whether the previous observation that small stocks tend to outperform large stocks in January can still be observed in the futures markets. Based on their findings, they discuss whether the effect could still be profitably exploited.

In the first book review, Evert Wipplinger discusses Philippe Jorion's book "*Value at Risk—The New Benchmark for Managing Financial Risk*", which recently appeared in the third edition. In the second book review, Rico von Wyss discusses the book "*Empirical Market Microstructure*" by Joel Hasbrouck.

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